

The 2020 Renewable Fuel Standard (RFS): COVID-19 Impacts

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Ongoing [COVID-19 mitigation measures](#) may impact the [Renewable Fuel Standard \(RFS\)](#)—a mandate requiring U.S. transportation fuel to contain renewable fuel. Since the beginning of the pandemic, fuel demand has dropped significantly. The RFS is based, in part, on projections of transportation fuel use. Significant deviations from these projections could affect compliance with the 2020 standard. Congress may consider whether to intervene or whether the U.S. Environmental Protection Agency (EPA) should do so; and, if the latter, does the existing statute provide EPA with adequate authority?

The Renewable Fuel Standard

The [RFS](#) is a volume mandate scheduled to ascend over time. The [RFS statute](#) specifies minimum annual volume targets. Each year EPA establishes the volume of [four renewable fuel categories](#) (renewable fuel, advanced biofuel, cellulosic biofuel, and biomass-based diesel) that will be required for the coming year based on the statutory targets, fuel supply, and other conditions. The total renewable fuel target consists of both conventional biofuel (e.g., corn starch ethanol) and advanced biofuel (e.g., cellulosic ethanol).

Under certain conditions, the EPA Administrator has [statutory authority to approve waivers of the RFS requirements](#) (in whole or in part) based on particular conditions. For example, although the statute calls for 30 billion gallons of total renewable fuel in 2020, EPA's [2020 final rule](#) calls for 20.09 billion gallons of total renewable fuel. The 2020 final rule corresponds to an 11.56% annual percentage standard for total renewable fuel.

Statutory Volumes, Annual Percentages and RVOs

The RFS statute specifies annual renewable fuel volumes. EPA converts the statutory RFS volumes—after adjusting for any waivers—into [annual percentage standards](#) for each fuel category using an equation which accounts for the projected volumes of gasoline and diesel consumed, renewable fuel consumed, and gasoline and diesel [exempted](#). Obligated parties use the annual percentage standards to compute their [renewable volume obligation \(RVOs\)](#) for each fuel category. The RVO is the obligated party's total

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gasoline and diesel sales multiplied by the annual percentage standard plus any deficit of renewable fuel from the previous year. The RVO determines how many gallons of the particular renewable fuel type the party must account for in order to be in compliance.

The Blend Wall and U.S. Gasoline Consumption

For years, there has been discussion about the impact a “blend wall” could have on the RFS. Ethanol is the predominant fuel used to meet the RFS, and the blend wall is the upper limit of ethanol that can be blended into U.S. gasoline and still maintain automobile performance and comply with the Clean Air Act. The ethanol content for gasoline used in most vehicles is 10% (E10), although many newer vehicles can use E15. Assuming the blend wall is approximately 10% of U.S. gasoline consumption, that limit would be approximately 14.2 billion gallons in 2019 (based on 142.2 billion gallons of motor gasoline consumed).

In 2018 and 2019, the blend wall was breached, although RFS targets were still met. However, recent COVID-19 mitigation measures (e.g., stay at home) have caused a significant drop in fuel consumption. This drop could lead to a situation where EPA has issued a final volume requirement (20.09 billion gallons) far beyond the blend wall, for significantly more renewable fuel than can be blended and consumed. Compliance for individual obligated parties is based on the percentages set before the start of the year. Because an obligated party’s RVO is based on the percentage standard (11.56%), it is not clear—given recent gasoline supply projections—if the 2020 percentage standards will lead to the total 2020 volume requirement being met.

Stakeholder Perspectives

Stakeholders have commented on the COVID-19 pandemic’s impact on the ability to meet the 2020 RFS standards. Five states requested a waiver from EPA citing concerns that “continuing to implement the current RVO ... would ‘severely’ harm the [refining] sector, and consequently harm the economy of the States and the Nation.” Some in the petroleum industry argue that a waiver is needed due, in part, to RFS compliance costs—which might be better spent on retaining employees and continuing operations. However, some in the biofuel industry assert that such a waiver would devastate renewable fuel producers and cost essential infrastructure jobs in multiple states, among other things. The RFS statute gives the EPA Administrator the authority to waive the overall RFS requirements, in whole or in part, if “implementation of the requirement would severely harm the economy or environment of a state, a region, or the United States” or “there is an inadequate domestic supply.” In response to past waiver requests, EPA has acknowledged that “identifying severe economic harm ... is a difficult and complex issue.” EPA has also stated, “waiver decisions are based on current circumstances and market conditions.” Under the statute, the EPA Administrator has 90 days to decide to approve or disapprove it. Prior to requests from multiple governors for a 2020 waiver, one biofuel group called on EPA to increase the 2020 RVO to “the percentage necessary to ensure that the full 20.09 billion gallons required by law are used,” among other things.

Congressional Considerations

The COVID-19 pandemic may present a unique challenge to 2020 RFS compliance. The 2020 standards were issued in December 2019—prior to the start of the COVID-19 mitigation measures—when gasoline consumption projections differed greatly from current conditions. Congress, the EPA, stakeholders, and others are navigating unfamiliar territory—how to adhere to RFS requirements, and protect the health of the nation’s citizens and sustain the economy, while dealing with the novel coronavirus. There is

considerable uncertainty on several fronts, including the duration of COVID-19 mitigation actions, both formal (e.g., state order to stay home) and informal (e.g., consumer choice to stay home). Congress gave EPA the authority to waive the RFS given [certain conditions](#) so that it could respond to uncertainties. Whether and how EPA uses its waiver authority for the 2020 RFS as currently requested remains to be seen.

Additional Resources

- CRS Report R43325, *The Renewable Fuel Standard (RFS): An Overview*
- CRS Report R44045, *The Renewable Fuel Standard (RFS): Waiver Authority and Modification of Volumes*

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